

# TENNESSEE REGULATORY AUTHORITY

**Ron Jones**, Chairman  
**Deborah Taylor Tate**, Director  
**Pat Miller**, Director  
**Sara Kyle**, Director



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460 James Robertson Parkway  
Nashville, Tennessee 37243-0505  
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January 3, 2006

Ron Jones, Chairman  
Tennessee Regulatory Authority  
460 James Robertson Parkway  
Nashville, TN 37243

Re: Review of Nashville Gas Company's IPA Relating to Asset Management Fees  
Docket Number: 05-00165

Dear Chairman Jones,

Please find enclosed for filing in the above-referenced matter *TRA Staff's Second Discovery Requests to Nashville Gas Company*. Please call me at extension 203 if you have any questions.

Sincerely,

Aaron Rochelle  
Counsel, Authority Staff

**BEFORE THE TENNESSEE REGULATORY AUTHORITY**

**NASHVILLE, TENNESSEE**

<b>IN RE:</b>	)	
	)	
<b>REVIEW OF NASHVILLE GAS</b>	)	<b>DOCKET NO.</b>
<b>COMPANY'S IPA RELATING TO ASSET</b>	)	<b>05-00165</b>
<b>MANAGEMENT FEES</b>	)	

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**TRA STAFF'S SECOND DISCOVERY REQUESTS TO NASHVILLE GAS  
COMPANY**

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Pursuant to the Procedural Schedule established at the November 2, 2005 Status Conference in this docket and Tenn. Comp. R. and Reg. 1220-1-2-.11, the Audit Staff of the Tennessee Regulatory Authority ("TRA" or "Authority") requests that Nashville Gas Company ("Nashville Gas" or the "company"), a division of Piedmont Natural Gas Company, respond to the following discovery requests to be answered under oath by an officer or agent of the company on or before January 20, 2006.

**INSTRUCTIONS**

1. For each document responsive to this request that is withheld under a claim of privilege or work-product immunity, provide a statement identifying: (a) each author; (b) each addressee; (c) each person to whom the document was sent; (d) the custodian of the original and each copy of the document as of the date of your response to this request; (e) the exact location of the original and each copy of the document as of the date of your response to this request; (f) the title and date of the document; (g) the number of pages in the document; (h) the nature and subject matter of the document sufficient to accurately identify the document; (i) the privilege or immunity claimed and facts giving rise to that privilege or immunity; and (j) the specific numbered request to which the document is responsive.

2. If you object to any request on grounds other than privilege or work-product immunity, state in detail the basis for the objection.

3. If you contend that a particular request, or a definition or an instruction applicable thereto, is ambiguous, such claim shall not provide a basis for refusing to respond. You are instructed to set forth the allegedly ambiguous language and the interpretation of that language that you have adopted in responding to the request in question.

4. You should produce every copy of a document that is not identical to the original of the document requested, including copies with marginalia.

5. You should either organize and segregate the documents you produce according to the specific numbered requests listed below to which the documents are primarily responsive, and identify the source of each document, or if they are being produced in their original form, identify where the document was located, including but not limited to what room, file cabinet and drawer, what persons have access to that area and produce a copy of the file folder jacket in which the document was contained.

6. You should produce all documents requested below that are within your possession, custody or control, including documents within the possession, custody or control of your present or former attorneys, accountants, representatives, consultants, agents, officers, directors, employees, investigators, or anyone else acting on your behalf.

7. With respect to each document otherwise responsive to this request that has been lost, discarded or destroyed, identify (a) each author; (b) each addressee; (c) the date, title and subject matter of the document; (d) the date of the disposal; (e) the manner of the disposal; (f) the reason for the disposal; (g) each person who authorized the disposal; (h) each person who carried out the disposal; and (i) each person with any knowledge concerning the disposal.

8. With respect to each document otherwise responsive to this request that is no longer in your possession, custody or control, identify (a) each author; (b) each addressee; (c) the date, title and subject matter of the document; (d) the last date on which the document was in your control; (e) each person now in control of the document; (f) the reasons for the disposal or release of the document; and (g) each person with any knowledge concerning the document's disposal or release.

9. The present tense includes the past and future tenses.

10. Whenever appropriate, the singular form of a word should be interpreted in the plural, and the plural form should be interpreted in the singular.

11. The connectors "and" and "or" shall be construed either disjunctively or conjunctively as necessary to bring within the scope of these discovery requests all responses that might otherwise be construed to be outside of their scope.

12. Documents should be produced in a manner that identifies the files of the entity and person from which they were produced.

13. In responding to this Request, preface each answer or document by the Request number to which it is addressed. If you are unable to answer a Request fully, submit as much information as is available, explain why your answer is incomplete, and state the source or sources from which a complete answer may be obtained. If an accurate answer cannot be obtained, from books or records, your best estimate, so identified, should be submitted indicating the source of the estimate.

14. These discovery requests are intended to be continuing requests, requiring you to supplement your production or answers with documents or answers within the scope of the requests that may be acquired by you, your agents, your attorneys or your representatives at any time following the date of your original response.

### **DEFINITIONS**

1. The term "document" is used in its broadest sense and means and includes graphic matter of any kind or nature, whether written, printed, typed, recorded, filmed, punched, transcribed, taped or produced or reproduced by any means. The term "document" means and includes, without limitation, all appraisals, records, personal notes, e-mails, cablegrams, telexes, facsimiles, studies, calendars, day-timers, diaries, desk calendars, appointment books, agendas, minutes, pamphlets, envelopes, telephone messages, graphs, records of meetings, summaries or records of telephone conversations, summaries or records of personal conversations or interviews, summaries or records of meetings or conferences, tabulations, analyses, evaluations, projections, work papers, statements summaries, reports, journals, billing records, invoices, correspondence, letters, financial statements, balance sheets, accounting entries, tax returns, loan documents, and/or all written or recorded matter of any kind whatsoever. The term "document" also means and includes every other means by which information is recorded or transmitted including, without limitation, photographs, videotapes, tape recordings, microfilms, punchcards, computer programs, printouts, computer disks or diskettes, software, all recordings made through data processing and/or computer techniques, and the written information necessary to understand and use such materials. The term "document" is further defined to mean the original, any drafts, and any non-identical copies (i.e., those bearing notations, marks, or marginalia not found on the original document). Please note that records of electronic mail, whether active, archived or otherwise recoverable, are specifically included within the above definition.

2. The term "person" means any natural person, or any corporation, partnership, or association of persons.

3. The term "you" shall mean and include: Nashville Gas Company and/or any and all officers, owners, employees, agents, consultants,

4. The term "identify" shall mean the following when referring to:

- a) a natural person, means to state his/her full name and present or last known address, telephone number, date of birth and his/her present or last known business position and affiliation;
- b) A corporation, partnership or other business entity, means to state the full name and last known address of the entity;
- c) A document means to state its date, its author, its recipient and his/her address and the names of each of its present custodians; and
- d) When used in connection to a factual situation or allegation means to state with particularity and specificity all facts known which bear upon or are related to the matter which is the subject of the inquiry, using the simplest and most factual statement of which you are capable.

5. The term “employee” includes any person, including all executives, managers, supervisors, and professionals, who are or have been employed on a full or part-time basis.

6. The term “relating to” means constituting, containing, embodying, reflecting, identifying, describing, incorporating, referring to, dealing with or in any way in connection with or pertaining to.

7. The connectors “and” and “or” shall be construed either disjunctively or conjunctively as necessary to bring within the scope of the discovery requests all responses that might otherwise be construed to be outside of its scope.

8. The term “complaint” means any expression, written or oral, conveying dissatisfaction to an entity.

### **INTERROGATORIES**

Please answer the following specific Interrogatories under oath and in accordance with the preceding Instructions and Definitions:

#### **Interrogatory No. 1:**

Refer to the Company’s response to the TRA Staff First Discovery Requests, Request for Production No. 5. The request did not ask for asset management contracts between Piedmont and its regulated affiliate companies. Provide a copy of all asset management contracts, agreements or arrangements between Piedmont’s regulated

affiliate companies and their selected asset managers in North Carolina and South Carolina from the first such agreement or arrangement to the present.

**Interrogatory No. 2:**

Refer to the Company's response to TRA Staff First Discovery Requests, Request for Admission No. 1. State all evidence, facts, bases, grounds, and reasons that the Company believes supports its denial.

**Interrogatory No. 3:**

If the Company was aware of the practice of using outside asset managers at the time it filed its Application to Establish a Performance Incentive Plan in Docket No. 96-00805, explain its reasons for not including language in its capacity release mechanism describing the third party asset management option available to the Company.

**Interrogatory No. 4:**

Cite any specific situation, published trade article, or other facts which the Company is aware of that demonstrate that an outside asset manager was utilized by any regulated natural gas company as of April 1996.

**Interrogatory No. 5:**

When did the Company first become aware that any other regulated natural gas company had a contractual relationship with an outside asset manager? Provide any written documentation evidencing this awareness.

**Interrogatory No. 6:**

When did the Company first consider retaining the services of an outside asset manager? Provide any written documentation evidencing this consideration.

**Interrogatory No. 7:**

Has Piedmont ever considered or pursued, either formally or informally, the filing of any type of incentive plan or mechanism for any of its regulated affiliate companies in North Carolina or South Carolina? If so, provide the docket number(s), a copy of the application(s) including any supporting documentation filed under seal, and a copy of the commission order(s). In addition, provide any written proposals, drafts, and correspondence (including e-mails) produced during the informal process of developing such plan or mechanism whether or not the plan or mechanism was filed with the state commission(s).

**Interrogatory No. 8:**

List and explain any differences in level of risk to the regulated company between Nashville Gas asset management agreements and asset management agreements in place for affiliate companies in North Carolina and South Carolina.

**Interrogatory No. 9:**

Describe in detail any additional risk that exists in Tennessee that would justify a sharing percentage of almost twice the amount of the percentage approved in North Carolina and South Carolina for the sharing of asset management fees.

**Interrogatory No. 10:**

Considering that all gas assets are paid for by consumers and the Company bears no risk of monetary loss, explain specifically what the Company is doing in releasing idle assets that goes beyond the duty and responsibility to consumers expected of a regulated public utility.

## **REQUESTS FOR ADMISSIONS**

For the purpose of this proceeding only and subject to all pertinent objections to admissibility which may be interposed at the hearing, please admit the truth of the following admissions. If the response to the request is denied, please explain in detail the reason for such denial.

### **Request for Admission No. 1:**

Nashville Gas' consumers own 100% of the assets subject to transactions negotiated by the Asset Manager.

### **Request for Admission No. 2:**

The actual operating cost to the Company of using an external asset manager is less than the cost of performing the asset management function internally.

### **Request for Admission No. 3:**

The use of an outside asset manager by Nashville Gas is intended to increase the Company's profits with no monetary risk.

### **Request for Admission No. 4:**

The percentage of asset management fees by the Company is in essence a commission or brokerage fee for arranging the deal.

### **Request for Admission No. 5:**

The Company's role in performing due diligence regarding the excess assets is no different than that of a broker leasing someone else's property.



**Request for Admission No. 6:**

The monetary benefit to consumers would increase with a lower-sharing percentage to the Company.

**Request for Admission No. 7:**

It would still be profitable for the Company to engage the services of an asset manager with a retention percentage of 5%.

**Request for Admission No. 8:**

The Company would enter into asset management agreements with a lower-sharing percentage based on the fees paid by the asset manager.

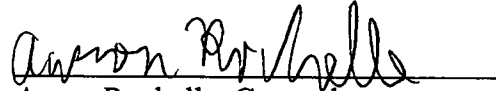
**Request for Admission No. 9:**

The process of assigning certain rights to consumer-owned assets to an external asset manager in exchange for a fee is not a “savings” achieved by the Company in procuring those assets.

**Request for Admission No. 10:**

Given the regulated companies responsibility of due diligence, the retention of almost 50% of the proceeds from the use of consumer owned assets is a windfall profit for Nashville Gas.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Aaron Rochelle", is written over a horizontal line.

Aaron Rochelle, Counsel  
Tennessee Regulatory Authority  
460 James Robertson Pkwy.  
Nashville, Tennessee 37243-0505  
(615)741-3191  
Dated: January 3, 2006

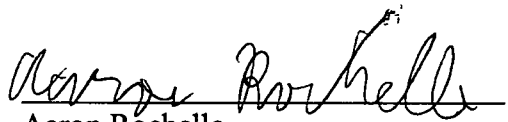
## CERTIFICATE OF SERVICE

I, Aaron Rochelle, hereby certify that I have served a copy of the foregoing Discovery Requests on the following persons by hand delivery or by depositing a copy of the same in the United States Mail, postage prepaid, addressed to them at the addresses shown below, this 3rd day of January, 2006.

R. Dales Grimes, Esq.  
Bass, Berry & Sims, PLC  
AmSouth Center  
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Aaron Rochelle